

Calculating Annualized Estimated Corporation Business Tax Installments and Worksheet CT-1120 AE

PURPOSE: To explain an alternate method of calculating installments of estimated Connecticut corporation business tax for corporations that do not receive income evenly throughout the year (because of a seasonal business or for any other reason). Under the annualized estimated corporation business tax installment method, the required installment for one or more periods may be less than the amount of the installment calculated using the regular installment method.

EFFECTIVE DATE: For income years beginning on or after January 1, 1999.

STATUTORY AUTHORITY: Conn. Gen. Stat. §12-242d.

WHO SHOULD PAY ESTIMATED CORPORATION BUSINESS TAX?

Every corporation carrying on business or having the right to carry on business in Connecticut, whose current year's tax exceeds \$1,000 after applying corporation business tax credits, must pay estimated tax in four installments, or be subject to interest on the underpayment of estimated tax.

WHAT IS MY REQUIRED ANNUAL PAYMENT?

Your required annual payment is the lesser of:

- 90% of the tax (after credits) shown on the Connecticut corporation business tax return for the current taxable year, or if no return is filed, 90% of the tax for such year; or
- 100% of the tax shown on the Connecticut corporation business tax return for the next preceding income year without regard to credits, if the preceding income year was an income year of twelve months and if the company filed a return for the preceding income year showing a liability for tax.

WHEN SHOULD I FILE?

For calendar year filers, the estimated corporation business tax installments are due March 15, June 15, September 15, and December 15. Fiscal year filers should file estimated payments on or before the fifteenth day of the third, sixth, ninth, and twelfth months of the income year. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

HOW MUCH IS DUE WITH EACH INSTALLMENT?

Generally, a corporation must pay the required annual payment in four instalments as computed on **Forms ESA, ESB, ESC, and ESD**. However, a corporation that does not receive income evenly throughout the year, because of a seasonal business or for any other reason, may benefit from using the annualized income installment method. The amount due with each payment may vary depending upon the amount of income earned during the period preceding the due date of each installment. One or more payments may be reduced or eliminated for periods in which a corporation's income is low and larger payments may be required during the remaining periods when its income is higher.

HOW DO I CALCULATE THE AMOUNT OF EACH INSTALLMENT USING THE ANNUALIZED ESTIMATED CORPORATION BUSINESS TAX INSTALLMENT METHOD?

To calculate the amount of each installment due using the annualized method, first complete the appropriate column on *Worksheet CT-1120 AE* found on Page 4 of this publication. You must complete one entire column before continuing to the next column. Enter the amount from Line 18 of the appropriate column of the worksheet on Line 5 of **Forms ESA, ESB, ESC, and ESD**.

HOW DO I PAY MY ESTIMATED CORPORATION BUSINESS TAX?

Each payment of estimated tax must be accompanied by the appropriate corporation estimated payment coupon, **Form CT-1120 ESA, ESB, ESC, or ESD**. Four preprinted estimated tax payment coupons with instructions will be mailed to corporations that paid an estimated tax or whose Connecticut corporation business tax liability exceeded \$1,000 in the prior income year. To ensure that the corporation's payments are properly credited, be sure to use the preprinted coupons. Corporations that do not receive preprinted estimated coupons should use the estimated coupons included in the Connecticut corporation business tax instruction book.

WHAT HAPPENS IF I UNDERESTIMATE MY CORPORATION BUSINESS TAX?

If the current year's tax is more than \$1,000 and the corporation does not make timely installments of its required annual payment, it will be charged interest on the underpayment. Interest will accrue on the amount of the underpayment until the earlier of the first day of the fourth month following the end of the income year, or the date on which the underpayment is paid.

WILL INTEREST APPLY IF I USE THE ANNUALIZED ESTIMATED CORPORATION BUSINESS TAX METHOD?

Interest will not apply if the required installments are calculated correctly. Complete *Worksheet CT-1120 AE*, and make the required installment payments (using **Form CT-1120 ESA, ESB, ESC, or ESD**) on or before the due dates.

MAY I APPLY OVERPAYMENTS IN THE CURRENT YEAR TO THE NEXT YEAR'S ESTIMATED CORPORATION BUSINESS TAX?

When the corporation's current year's return is filed, the corporation may apply overpayments of Connecticut corporation business tax to the estimated tax for the next succeeding taxable year. The request to apply overpayments to the next year's estimated tax is irrevocable, and the credit is established as of the date of the U.S. Postal Service cancellation mark on the completed return.

EFFECT ON OTHER DOCUMENTS: **Informational Publication 99 (12.1)** supersedes **Informational Publication 99 (12)** which should not be relied upon for income years beginning on or after January 1, 2000.

EFFECT OF THIS DOCUMENT: An Informational Publication is a document that addresses frequently asked questions about a current Department position, policy or practice.

RELATED FORMS AND PUBLICATIONS:

Request the most recent edition of the following forms:
Form CT-1120 ESA, ESB, ESC, and ESD, *Estimated Corporation Business Tax Payment Coupons*.

FOR FURTHER INFORMATION: Please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free from within Connecticut), or
 - **860-297-5962** (from anywhere).
 - **TTY, TDD, and Text Telephone users** only may transmit inquiries 24 hours a day by calling 860-297-4911.
-

FORMS AND PUBLICATIONS: Forms and publications are available 24 hours a day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu; or
- **Telephone:** Call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2** from a touch-tone phone, or **860-297-4753** (from anywhere).

Worksheet CT-1120 AE
Connecticut Corporation Business Tax
Annualized Estimated Worksheet
(Keep for your records)

PART I – ESTIMATED PAYMENT CALCULATION

	A	First 2 months	B	First 5 months	C	First 8 months	D	First 11 months
1	Enter your Connecticut corporation business income for each period. (See instructions)							
2	Annualization factor.							
3	Annualized Connecticut corporation business income. Multiply Line 1 by Line 2.							
4	Multiply Line 3 by 7.5% (.075).							
5	Corporation business tax credits. (See instructions)							
6	Total annualized corporation business tax. Subtract Line 5 from Line 4.							
7	Applicable percentages.							
8	Multiply Line 7 by Line 6.							
9	Add the amounts in all preceding columns of Line 15. (See instructions)							
10	Annualized income installment using net income. Subtract Line 9 from Line 8. (If zero or less, enter 0)							
11	Enter your required annual payment for the period. (See Part II)							
12	Enter the amount from Line 14 of the preceding column of this Worksheet.							
13	Add Line 11 and Line 12 and enter here.							
14	If Line 13 is more than Line 10, subtract Line 10 from Line 13 (otherwise enter 0).							
15	Enter the lesser of Line 10 or Line 13.							
16	Total required installment for the period. Add Line 9 and Line 15.							
17	Estimated tax payments made through the due date for the period.							
18	Estimated tax payment required by the next due date. Subtract Line 17 from Line 16 and enter the result (but not less than 0).							

PART II – COMPUTATION OF REQUIRED ANNUAL PAYMENT (Line 11)

19	Current year's Connecticut corporation business tax due, after credits. (See instructions)	19
20	Multiply Line 19 by 90% (.90).	20
21	Prior year's Connecticut corporation business tax, before credits. (See instructions)	21
22	Multiply Line 21 by 100% (1.00).	22
23	Required annual payment. (Enter the lesser of Line 20 or Line 22)	23
24	Required annual payment for the first 2 months. Multiply line 23 by 30% (.30) enter here and on Line 11, Column A.	24
25	Required annual payment for the first 5 months. Multiply line 23 by 40% (.40) enter here and on Line 11, Column B.	25
26	Required annual payment for the first 8 months. Multiply line 23 by 10% (.10) enter here and on Line 11, Column C.	26
27	Required annual payment for the first 11 months. Multiply line 23 by 20% (.20) enter here and on Line 11, Column D.	27

Instructions for Worksheet CT-1120 AE

(Worksheet is located on page 3)

Before you begin, be sure to have a copy of **Form CT-1120 ESA, ESB, ESC, and ESD**, *Estimated Corporation Business Tax*. All estimated corporation business tax installment payments must be made using these estimated payment coupons.

At the end of each payment period, complete the column on *Worksheet CT-1120 AE* for the period from the beginning of the taxable year through the end of that payment period to calculate how much estimated tax to pay by the payment due date.

PART I Annualization of Income

- Line 1** - Enter the corporation's Connecticut business income for the period.
- Line 4** - The Connecticut corporation business tax rate for 2000 is 7.5% (.075).
- Line 5** - Enter the corporation's estimated allowable Connecticut corporation business tax credits for the year. The credits are based on the annualized income for the period.
- Line 9** - Do not enter anything in Column A. Enter in Column B, the amount from Line 15, Column A. Enter in Column C the sum of Line 15, Column A, plus Line 15, Column B. Enter in Column D the sum of Line 15, Column A, plus Line 15, Column B, plus Line 15, Column C.
- Line 11** - Enter the appropriate amount of your required annual payment as calculated on Part II of this worksheet.
- Line 17** - Include all estimated tax payments through the payment due date for the period. Include overpayments of the prior year's tax applied to the current year. In determining your payment amount, the corporation may apply an overpayment from the preceding income year, but only if the tax return (**Form CT-1120**) for such preceding income year was filed prior to the due date of the estimated installment payment.
- Line 18** - Subtract Line 17 from Line 16. Enter the result here (but not less than 0) and on **Form CT-1120 ESA, ESB, ESC, or ESD**, Line 5.

PART II Computation of Required Annual Payment

- Line 19** - Calculate your current year's corporation business tax, less credits and without regard to any recapture amount.
- Line 21** - Enter your prior year's corporation business tax before credits from **Form CT-1120, Schedule C**, Line 3, minus *Schedule C*, Line 1b; or **Form CT-1120CR**, Part IV, Line 6, minus Part IV, Line 4b; or **Form CT-990T**, *Computation of Amount Payable*, Line 3.
- Line 23** - Enter the lesser of Line 20 or Line 22.
- Line 24** - Multiply the amount on Line 23 by 30% (.30) and enter the result on Line 11, Column A.
- Line 25** - Multiply the amount on Line 23 by 40% (.40) and enter the result on Line 11, Column B.
- Line 26** - Multiply the amount on Line 23 by 10% (.10) and enter the result on Line 11, Column C.
- Line 27** - Multiply the amount on Line 23 by 20% (.20) and enter the result on Line 11, Column D.